



DEFENSE LOGISTICS AGENCY
THE DEFENSE CONTRACT MANAGEMENT COMMAND
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AUG 5 1997

REPLY
REFER TO AQOF

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT
DISTRICTS

SUBJECT: DCMC Memorandum No. 97-77 , Earned Value Management Systems
(EVMS) Policy Implementation (POLICY)

This is a POLICY Memorandum. It expires in one year unless sooner superseded or rescinded. Target Audience: Contract Administration Office (CAO) Commanders.

As mentioned in DCMC POLICY Memorandum No. 97-38 dated April 4, 1997, Subject: Earned Value Management Fast Start Kit, CAO Commanders should ensure that the shift from Cost/Schedule Control System Criteria (C/SCSC) to EVMS is communicated to our customers and appropriate contractor representatives. To provide assistance during this transition, DCMC-HQ Product Design, Development and Control Team (AQOF) has conducted 2 of 6 planned regional mini-conferences to educate field personnel and CAO Commanders on what effect these changes will have in the DCMC business environment. As part of the collective strategy for evoking this shift, attached for your action are two pro-forma letters that should be tailored to the individual needs of each CAO and sent to the appropriate customer and contractor representatives.

Attachment 1 provides a letter to be sent from the CAO Commander to all contractors currently covered by C/SCSC or CSSR (Cost Schedule Status Report), while attachment 2 is a letter to be sent from DCMC Program Integrators to our customer Program Managers having contracts covered by C/SCSC or CSSR.

You should continue to encourage contractors with C/SCSC requirements to begin thinking about EVMS and discussing preliminary ideas at management council meetings. It is our expectation that DoD will want contractors to use the block change process to propose EVMS as a replacement system for C/SCSC. Please direct all questions regarding this letter to Mr. Kevin Kane, AQOF, (703) 767-3357 or DSN 427-3357.

ROBERT W. DREWES
Major General, USAF
Commander

Attachments

Pro-Forma Contractor Letter

Insert - (Cognizant CAO Letterhead)

Insert - (Name of Executive Officer of Contractor responsible for Program Management)

Insert - (Title of Executive Officer)

Insert - (Name of Contractor Division/Business Unit)

Insert - (Contractor Address)

Dear **Insert - (Name of Executive Officer of Contractor Responsible for Program Management)**

I am writing to invite you to make use of a management tool that has been used by such companies as Lockheed-Martin Sunnyvale, McDonnell Douglas St. Louis, and Boeing Defense Space Group to reduce program costs and enhance technical and schedule performance - Earned Value Management (EVM). EVM represents a flexible management approach that integrates planning, scheduling, resourcing, cost accumulation, and work measurement into a coordinated system designed to manage project performance.

EVM was developed by industry in response to a request by the Department of Defense (DoD) to create a replacement for the agency's Cost/Schedule Control System Criteria (C/SCSC). It was created because the Government realized that the old C/SCSC system had evolved into a bureaucratic process focused on compliance, and consequently had evolved away from its original intent of presenting a foundation for industrial program management processes. In 1996, the National Security Industry Association and the Electronics and Aerospace Industries Association completed the industry standard for EVM and submitted it to DoD for consideration. The standard was accepted, and contract solicitation provisions and clauses have been developed for situations in which the use of EVM will be utilized as a replacement of C/SCSC. Apart from regulation, DCMC would like to see industry take ownership of EVM and use its precepts to improve the art of program management.

For contractors currently performing under C/SCSC guidelines, the changes will be refreshing: Changes to management processes can be made without the need for a large scale review of the revised systems and without jeopardizing existing validation status. Furthermore, implementation of proposed changes will be verified by a joint surveillance process.

Although the use of EVM is a government requirement only on large, flexibly priced contracts, it is an excellent tool that can assist program managers with many other projects on both government and commercial contracts. Our goal is for EVM to become a tool of choice for program managers, not an instrument used for bureaucratic compliance. If you

are interested in taking advantage of the many benefits of implementing an EVM system at your facility, I encourage you to share your ideas with the Management Council established under the Single Process Initiative. If you would like more information on EVM, please contact **Insert** - (POC). The goal of EVM is better managed programs that produce deliverables on-time, within budget, and within scope. I encourage you to take advantage of this opportunity to utilize this valuable program management tool.

(Signed)

Commander, **Insert** (CAO Name)

cc: Management Council Representatives
DCMC HQ (AQOF)

Pro-Forma Customer Letter

MEMORANDUM FOR **Insert** - (Name of Buying Command officer responsible for Program Management)

SUBJECT: Earned Value Management Systems (EVMS)

Welcome to the new era of Earned Value Management Systems. The Department of Defense is continuously seeking to improve its role in the Program Management process. As such, the purpose of this letter is to inform you of the changes taking place. The Department of Defense has moved from Cost/Schedule Control System Criteria (C/SCSC) to the Earned Value Management Systems era, from an intrusive oversight process to a joint (government-contractor) insight process, and from a “report generator” to a value added program management tool that provides foresight into future contract performance and risk.

With this new era, industry was encouraged to develop their own streamlined Guidelines for earned value management. The industry associations completed this task and their Guidelines have now been incorporated into the Department of Defense’s Criteria for Earned Value Management Systems provided in DoD 5000.2-R. Additional guidance has been published in the Earned Value Management Implementation Guide (EVMIG).

The EVMIG provides that such changes can be made without the need for a large scale review of the revised systems and without jeopardizing existing validation status. Proposed changes to system documentation need to be provided to the CAO for review for Criteria compliance prior to implementation, as required by the DFARS clauses. Implementation of changes will be verified by the surveillance process, which should be a joint contractor - DCMC activity to the maximum extent possible.

DCMC’s implementation of EVMS has three specific goals:

- 1) Contractor Responsible Ownership of EVMS processes.
- 2) EVMS data used by both Government and Contractor program offices to manage cost, schedule, and technical risk.
- 3) Continued compliance of the contractors EVMS , to the EVMS Criteria, assessed through insightful DCMC surveillance.

DCMC is committed to making EVMS the desired program management tool that integrates planning, scheduling, resource management, work accomplishment, and cost

accumulation systems. We at DCMC **Insert -** (CAO Name) are encouraging **Insert -** (Contractors Name) to work with us to improve their program management practices. I will keep you apprised of our progress and solicit your help and opinions in improving internal management practices at **Insert -** (Contractors Name).

Insert - (Name of Program Manager)
Insert - (Designation)

cc: Contractor
DCMC HQ (AQOF)